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Acknowledgements

The *World Trade Report 2015* was prepared under the general responsibility of Xiaozhun Yi, WTO Deputy Director-General, and Robert Koopman, Director of the Economic Research and Statistics Division. This year the report was coordinated by Coleman Nee and Robert Teh. The authors of the report are Marc Auboin, Marc Bacchetta, Cosimo Beverelli, John Hancock, Christian Henn, Alexander Keck, Jose-Antonio Monteiro, Coleman Nee, Simon Neumueller, Roberta Piermartini and Robert Teh (Economic Research and Statistics Division); and Nora Neufeld (Market Access Division).

Part I of the report, on trade developments in 2014 and early 2015, was written by Coleman Nee, with statistical inputs provided by staff in the International Trade Statistics Section under the supervision of Andreas Maurer. Chahir Zaki, Lionel Fontagné, Gianluca Orefice, Nadia Rocha and Àlvaro Espitia Rueda wrote background papers for Part II. Computable general equilibrium simulations were carried out in close collaboration with Lionel Fontagné of the Paris School of Economics (University Paris 1 Panthéon-Sorbonne) and Jean Fouré of the Centre d'Études Prospectives et d'Informations Internationales (CEPII). Evdokia Moïsé and Silvia Sorescu of the OECD provided disaggregated estimates of trade cost reductions based on the OECD Trade Facilitation Indicators. Other written contributions were provided by Hubert Escaith, by Thomas Verbeet under the supervision of Jürgen Richtering, and by Sheri Rosenow. Research inputs were provided by Michela Esposito, Hyoungmin Han, Alexandre Lauwers, Etienne Michaud, Sebastien Peytrignet, Rohit Ticku, Matthias Van Den Heuvel and Luis Vivas. Additional charts and data were provided by Dolores Halloran (Market Access Division) and by Rainer Lanz and Théo Mbise (Development Division).

Several divisions in the WTO Secretariat provided valuable input and comments on drafts. In particular, colleagues from the Market Access Division, including Nora Neufeld and Sheri Rosenow, and colleagues in the Development Division, including Rainer Lanz and Michael Roberts, were closely involved at various stages in the preparation of the report. The authors also wish to acknowledge colleagues in the Economic Research and Statistics Division (Hubert Escaith and Mark Koulen) and the Office of the Director General (Aegyoung Jung, David Tinline, Tim Yeend), for advice received.

The following individuals from outside the WTO Secretariat also provided useful comments on early drafts of the report: Jean-François Arvis, Ken Ash, Yann Duval, Andrew Grainger, Russell Hillberry, Bernard Hoekman, Jann Hoffmann, Gary Hufbauer, Marion Jansen, Patrick Low, Catherine Mann, Evdokia Moïsé, Maria Persson, Ben Shepherd, Robert Staiger, Marinos Tsigas, Christian Volpe, John Whalley and Yoto Yotov.

The production of the report was managed by Paulette Planchette of the Economic Research and Statistics Division in cooperation with Anthony Martin, Heather Sapey-Pertin and Helen Swain of the Information and External Relations Division. Helen Swain edited the report. The translators in the Languages, Documentation and Information Management Division worked hard to meet tight deadlines.

Disclaimer

Foreword by the WTO Director-General

When WTO members concluded their negotiations on the Trade Facilitation Agreement (TFA) in Bali in December 2013, they created the first multilateral agreement since the WTO was founded nearly two decades earlier. It demonstrated how global rule-making was functioning effectively to address impediments to today's global commerce. As much as efforts to further liberalize trade policies, the streamlining, speeding up, and coordinating of trade processes are contributing to the expansion of world trade and helping developing and least-developed countries (LDCs) integrate into today's global economy.

Although there have been previous studies about trade facilitation, this report is the first major study since the Agreement was reached to offer a comprehensive analysis of the benefits, as well as the challenges, of implementing the TFA.

While the estimates of overall trade expansion provided here are in line with previous results, these estimates also strongly indicate that the benefits of the TFA can be substantially larger, particularly for developing countries and LDCs, depending on the scope and pace of implementation. The more extensive and the speedier the implementation of the TFA, the greater will be the gains. Implementation of the TFA could have a bigger impact on international trade than the elimination of all remaining tariffs.

Beyond just increasing global exports, this report gives a clear view of the wide array of benefits to be reaped from the TFA. Implementing the Agreement will help developing countries and LDCs to diversify their exports – enabling them to sell a wider assortment of goods and to enter more foreign markets. By simplifying trade procedures, it could lead to greater involvement by small and medium-sized enterprises in international trade. Shorter delivery times and greater predictability of deliveries will enable poor countries to increase their participation in global value chains. Since there is generally a positive link between the state of trade facilitation and inflows of foreign direct investments, it suggests that TFA implementation will assist developing countries in attracting more of such investments. By reducing delays at the border, TFA implementation will increase the volume of goods passing through customs and reduce the incidence of corruption, both of which should help developing country governments collect more revenues.

The key to reaping all these benefits is full and speedy implementation of the TFA. We need to see far speedier ratification of the Agreement than we have seen thus far, so that we can quickly turn to the task of implementation.

Based on the results of surveys of WTO members, implementing trade facilitation is a high priority for developing economies and LDCs. This is an important point, since strong political will at the highest levels and commitment to the process of trade facilitation are the most important factors in the success of any trade facilitation reform. This is not to say that lack of capacity and resources will not prove a challenge to poor countries as they implement the Agreement.

However, there is a large circle of donor countries and international organizations that have provided, and are willing to continue to provide, capacity building assistance for trade facilitation. To ensure that developing countries and LDCs receive the support they need to implement the Agreement, the Trade Facilitation Agreement Facility was established in 2014. The TFA Facility acts as a focal point to provide trade facilitation-related technical assistance and capacity-building support for implementation efforts, complementing existing efforts by regional and multilateral agencies, bilateral donors, and other stakeholders.

Finally, effective implementation of the Agreement will require that we carefully monitor the progress of the TFA after it comes into force. Good indicators, more data and better analytical tools are required to effectively undertake this task. The WTO, other international organizations and regional development banks all have an important role to play in this regard.

Roberto Azevêdo
Director-General

Executive summary

A. Introduction

Trade facilitation is critical to reducing trade costs, which remain high despite the steep decline in the cost of transportation, improvements in information and communication technology, and the reduction of trade barriers in many countries.

In today's interconnected global economy, efforts to streamline, speed up and coordinate trade procedures, as much as efforts to further liberalize trade policies, will drive the expansion of world trade and help countries to integrate into an increasingly globalized production system, rather than being left on the margins of world trade. The *World Trade Report 2015* examines why the Trade Facilitation Agreement (TFA) is important, what its economic impact will be, and how the WTO is taking a number of important and novel steps to help countries to maximize its benefits.

The TFA has the potential to reduce trade costs by a significant amount and thereby to increase both global trade and output.

The global economy is still struggling to gain traction nearly seven years after the global financial crisis. International trade has shared in this stagnation. This has provoked broader discussion of whether the trade slowdown reflects a problem with structural rather than purely cyclical causes and is therefore a portent of things to come. The *World Trade Report 2013* examined the primary factors shaping the future evolution of trade and identified trade costs as one of those shaping factors (the others included demographics, capital accumulation, natural resources, and technology). The fundamental role they play means that any meaningful reduction in trade costs not only reduces the drag that is acting on the global economy at the present but also has the capacity to raise its future trajectory.

It is nevertheless important to remember, as the 2013 Report makes clear, that many factors drive changes in trade flows. Some, like technological progress, capital accumulation and labour force changes, can have impacts on trade flows that are much greater than tariff or trade cost changes. While this study estimates the potential, isolated effects of changes in trade costs due to the TFA, one should keep in mind that other factors also affect trade flows and the estimated effects here may be amplified or offset by these other factors.

Definitions of trade facilitation used by international organizations and in the academic literature vary considerably but can be differentiated along at least two dimensions. Narrow definitions of trade facilitation only include improvements in administrative procedures at the border, while broader definitions embrace changes to behind-the-border measures as well. Some definitions of trade facilitation do not go beyond investments in soft infrastructure while other definitions encompass investments in hard infrastructure as well.

WTO members have always shied away from formally defining trade facilitation, both as a result of the impossibility to agree on the definition and out of the wish not to exclude a potential aspect of future work. Based on a negotiating mandate adopted in August 2004, the treaty improves and clarifies Articles V, VIII and X of the General Agreement on Tariffs and Trade (GATT), and introduces provisions on customs cooperation, aimed at "further expediting the movement, release and clearance of goods, including goods in transit."

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B. Trade facilitation in context

WTO work on trade facilitation has passed through different stages, evolving from a fairly limited mandate to the launch of an ambitious negotiating exercise and finally, to a new multilateral agreement.

As globalized production networks have spread throughout the world, countries have increasingly recognized the need for global rules on trade facilitation. Trade facilitation reforms have been pursued in other international fora, but the multilateral logic of trade facilitation eventually led to intensified negotiations in the WTO culminating in the TFA.

Some articles of the TFA seek to improve and clarify the relevant GATT framework by specifying the existing requirements. Others have a broader, thematic link to the GATT, while a few others draw on measures from other WTO agreements.

Specific disciplines in the TFA relate to the publication and availability of information (Article 1), the opportunity to comment before entry into force of new/amended laws and regulations (Article 2), advance rulings (Article 3), procedures for appeal (Article 4), non-discrimination and transparency (Article 5), fees and charges (Article 6), the release and clearance of goods (Article 7), border agency cooperation (Article 8), the movement of goods (Article 9), import/export/transit formalities (Article 10), freedom of transit (Article 11) and customs cooperation (Article 12).

In order to make implementation practicable, the TFA takes a new and innovative approach to special and differential (S&D) treatment for developing and least-developed countries (LDCs).

The TFA introduces a category system, allowing each developing and least-developed member to self-determine when it will implement the respective provisions and what it needs in terms of related capacity-building support.

Category A contains provisions that developing and LDC members designate for implementation upon entry into force of the TFA (or within one year in the case of LDCs). Category B contains provisions that developing and LDC members will implement after a transition period following entry into force of the Agreement. Finally, Category C contains provisions that developing and LDC members will implement after a transition period "and requiring the acquisition of implementation capacity through the provision of assistance and support for capacity building."

Together with additional flexibilities, including the right of developing countries and LDCs to shift provisions from Category B to Category C, the TFA breaks new ground in its implementation philosophy, allowing members to tailor implementation to their particular circumstances.

With negotiations on the TFA concluded, the focus of members has now shifted to ratification and implementation.

Members have agreed on a road map for the TFA's entry into force. First milestones were reached when delegations concluded the legal review of the Bali text and adopted the amendment protocol. This cleared the way for the domestic ratification process to commence. Some members have already deposited their acceptance instruments, bringing the TFA closer to the ratification threshold of two-thirds of the WTO membership required for it to take legal effect.

Trade facilitation is on the agenda not only of the WTO but of many regional trade agreements (RTAs).

A number of important insights emerge when comparing trade facilitation provisions in RTAs and the TFA. It shows that RTAs typically include only a subset of the areas covered by the TFA. At the same time, RTAs often use a broader definition of trade facilitation and therefore may encompass areas not in the TFA. One very important area of the TFA that RTAs typically do not include is S&D treatment and technical assistance. Significant disparities also exist between RTAs with regard to the substantive coverage of provisions, as well as the strength and level of commitment. Also, some trade facilitation provisions of RTAs could potentially have discriminatory effects, although hard evidence of actual discrimination is scarce.

Taken together, these facts suggest that the TFA, once implemented, will extend the coverage of basic trade facilitation disciplines to many countries, and within countries to many areas that are not yet included in RTAs. In countries and areas already covered by RTAs, the TFA will not just substitute the disciplines in RTAs with its own disciplines.

The widespread absence of S&D and technical assistance provisions in RTAs, often coupled with weak enforcement systems, suggests that the TFA will make a critical difference to trade facilitation through its emphasis on implementation.

The TFA will reduce inefficiencies by providing common standards for the trade facilitation measures and by reducing regulatory overlap in countries that belong to several RTAs. It will also reduce discrimination where it exists. At the same time, complementarity between the regional and the multilateral level will remain strong. Trade facilitation disciplines in RTAs that are more ambitious or more specific than TFA disciplines will continue to complement the TFA.

Several international organizations are active in the trade facilitation area, where they complement the role of the WTO.

The World Bank, with its expertise in capacity building, supports the implementation process by providing financing to developing countries, collecting data and developing indicators as well as analytic tools relevant to trade facilitation. The World Customs Organization (WCO) has developed multiple trade facilitation tools and recommendations on procedures and has been building capacity in developing countries and LDCs. An important contribution on trade facilitation from the United Nations Conference on Trade and Development (UNCTAD) is the development and dissemination of the widely used Automated System for Customs Data and Management (ASYCUDA) aimed at speeding up customs clearance. Finally, numerous other organizations, like the Organisation for Economic Co-operation and Development (OECD) have contributed to enhancing technical knowledge on customs measures by developing trade facilitation indicators and sharing research results.

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C. The theory and measurement of trade facilitation

Existing models of international trade can be used to better understand the trade and economic effects of the TFA.

Trade facilitation aims to reduce trade costs, which includes all costs apart from the cost of production incurred in getting a good from the producer to the final consumer. Though trade models may differ in their assumptions, their conclusions about how a reduction in trade costs creates economic benefits are in many ways complementary.

The simplest framework that can be used to understand the effect of trade facilitation is the "iceberg" model, which draws an analogy between the way trade costs reduce the value of goods to both exporters and importers and the way an iceberg melts as it moves through the ocean. Inefficient trade procedures result in the importer paying a higher price for the traded good and the exporter receiving a lower price for it. Compared to a tariff, inefficient trade procedures weigh more heavily on economies, since in the case of a tariff, part of the difference between what the importer pays and what the exporter receives ends up as tariff revenues to governments.

If a country improves its trade procedures so that trade costs are reduced to zero, this price wedge disappears. As a result, importers benefit from a lower price at the same time that exporters receive a higher price for the traded good. Trade facilitation increases the welfare of both exporting and importing countries by improving their terms of trade, producing a "win-win" outcome.

The analysis in the "iceberg" model can be extended to more general settings that allow for complex interactions between products, markets and economies.

The Ricardian and Heckscher-Ohlin theories of trade assume that differences in productivity and endowments of production factors, respectively, create a basis for countries to specialize in and export the good in which they have a comparative advantage. In both models, trade facilitation increases the scope for specialization and trade among countries. Furthermore, the Heckscher-Ohlin model predicts that trade facilitation can improve the real income of workers in labour-abundant developing countries.

The "new trade theory" associated with Krugman implies that high trade costs lead both to less trade and to a concentration of manufacturing production in developed countries. This is partly explained by the operation of increasing returns to scale in manufacturing – the average cost of production falls as the volume of production increases. This economic theory suggests that small developing countries that do not wish to be overly dependent on their agricultural or natural resource sectors should have a strong interest in implementing trade facilitation reforms, as lower trade costs increase demand for developing countries' manufactured goods and reduce the concentration of manufacturing in bigger markets.

The latest research in trade theory brings firm heterogeneity and global value chains to the fore. The "new new trade theory" is meant to explain why only a few large and productive firms are able to enter the export market, while others only sell domestically. In this theory, trade facilitation reduces both variable trade costs (trade costs that vary with the scale of trade) and fixed trade costs (trade costs that must be incurred prior to entering the export market), such as learning the trade procedures in a country. This allows not only existing exporters to capture a larger share of the export market, but also firms with a lower level of productivity than incumbent exporters to enter the export market for the first time.

Supply chain models recognize that the components embodied in complex final goods are made in many different countries. As a result of this way of organizing global production, trade costs cumulate and are magnified along the value chain so that inefficient border procedures have a substantial deterrent effect on trade. Conversely, the positive effect of trade facilitation on value chain trade is magnified and will increase specialization in those production stages in which countries have a comparative advantage.

Given the widespread benefits from trade facilitation, every country should have an incentive to undertake reform on its own. The signing of the TFA, however, suggests that incorporating trade facilitation in a multilateral

agreement creates additional benefits compared to what can be achieved unilaterally.

It provides greater legal certainty to the changes in trade procedures. It helps in the adoption of common approaches to customs and related matters, which should increase the gains from trade facilitation by harmonizing customs procedures worldwide. By foreseeing that richer members will provide assistance and support for capacity building to developing and LDC members to help them implement the TFA, the Agreement helps to match the supply of capacity building with the demand for it. The TFA could also help governments address a credibility problem by integrating their trade facilitation commitments into an institution with an effective enforcement mechanism.

Given the different definitions of trade facilitation employed by international organizations and the academic literature, a wide range of trade facilitation indicators has been developed.

When last counted, more than a dozen indicators of trade facilitation had been developed, testifying to the importance of the subject as well as its complexity. Among others, they include the World Bank's Cost of Doing Business and Logistics Performance Index (LPI), the World Economic Forum's Enabling Trade Index (ETI) and the OECD's Trade Facilitation Indicators (TFIs).

The Cost of Doing Business measures the effects of business regulation and the protection of property rights on businesses, especially on small and medium-sized domestic firms, including the costs related to standardized import and export activities (through the indicator "trading across borders"). The LPI measures the logistic friendliness of countries, ranking them according to customs, infrastructure, ease of arranging shipments, quality of logistics services, tracking, tracing and timeliness. The ETI assesses the extent to which economies have in place institutions, policies, infrastructure and services facilitating the flow of goods over borders and their destinations.

The OECD's TFIs are constructed on the basis of the WTO TFA, enabling almost every TFI to be mapped to provisions of the TFA. As such, it is well suited to analysing the trade and economic effects of implementing the WTO TFA, and is the primary indicator used in this report for this purpose.

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D. Estimating the benefits of the Trade Facilitation Agreement

Trade costs are high, especially in low-income economies.

Trade costs in developing countries are equivalent to applying a 219 per cent ad valorem tariff on international trade. Even in high-income countries, the same product would face an ad valorem equivalent of 134 per cent in trade cost.

Aggregate estimates of trade costs conceal large differences across sectors and regions, suggesting that the implementation of the TFA will have a greater trade effect on some product sectors and regions than on others.

By speeding up the clearance of goods across borders, trade facilitation could provide a big boost to trade in perishable agricultural goods. The same effect is likely to apply to intermediate manufactured goods, which feature prominently in global value chains where lead time and predictability in delivery time are critical.

By some estimates, full implementation of the TFA has the ability to reduce members' trade costs by an average of 14.3 per cent.

The range of trade cost reduction will be between 9.6 per cent and 23.1 per cent. African countries and LDCs are expected to see the biggest average reduction in trade costs (in excess of 16 per cent) from full implementation of the TFA. Full implementation will reduce trade costs of manufactured goods by 18 per cent and of agricultural goods by 10.4 per cent.

Full implementation of the TFA also has the ability to reduce time to import by over a day and a half (a 47 per cent reduction over the current average) and time to export by almost two days (a 91 per cent reduction over the current average).

By reducing both the variable and fixed costs of exporting, trade facilitation increases the exports of those firms already involved in international trade, while enabling new firms to export for the first time. Furthermore, the trade and output gains are bigger with full and accelerated implementation of the TFA.

The two most commonly used economic approaches to estimating the trade impact of trade facilitation reform are gravity and computable general equilibrium (CGE) models. This report employs estimates from these two methodologies to ensure that results are consistent and to provide complementary perspectives on the benefits of implementing the TFA.

The results obtained from computable general equilibrium (CGE) model simulations predict export gains from the TFA of between US$ 750 billion and over US$ 1 trillion dollars per annum. Results from gravity model estimations suggest that full implementation of the TFA has the potential to increase global exports by between US$ 1.8 trillion and US$ 3.6 trillion. In both cases, the magnitude of the gains is larger with full and accelerated implementation of the TFA.

Since trade costs are among the shaping factors of global trade, implementation of the TFA not only gives a badly needed boost to the global economy at the present, but has the ability to give a significant lift to its trajectory and to carry it forward in the future. Over the 2015-30 horizon, implementation of the TFA can add up to 2.7 per cent a year to world export growth and more than half a per cent a year to world GDP growth.

Developing countries have the most to gain from swift and full implementation of the TFA.

Developing countries' exports are expected to increase by between US$ 170 billion and US$ 730 billion per annum. Further, the CGE simulations indicate that over the 2015-30 horizon, full and accelerated implementation of the TFA could augment developing countries' economic growth by 0.9 per cent annually and boost their exports by an additional 3.5 per cent annually.

Gravity model estimates in turn suggest that LDCs can increase the volume of traditional export products to existing markets by between 13 per cent and 36 per cent. Beyond this, there are also significant export diversification gains from trade facilitation reform for developing countries, and particularly for LDCs. Export diversification helps insulate developing countries and LDCs from adverse trade shocks in specific sectors or destination markets. Full implementation of the TFA by LDCs has the potential to increase the number of products they export to a given destination by 36 per cent. Likewise, they could increase the number of export destinations per product by nearly 60 per cent if they fully implement the TFA.

Trade facilitation is particularly important for trade of time-sensitive goods.

Timeliness and predictability of delivery times are critical to the successful management of global value chains as well as to trade in perishable agricultural goods and clothing and textiles, which are subject to rapid fashion cycles. Trade facilitation boosts trade in these goods because it reduces the time needed to export and increases predictability in delivery time.

There is growing evidence that trade facilitation boosts participation by small and medium-sized enterprises (SMEs) in trade.

Burdensome trade procedures, customs and trade regulation are often mentioned as major obstacles to SMEs' export participation. This is because large firms, especially multinational firms, are better equipped to navigate complex regulatory environments. For instance, there is evidence to show that the longer the time to export, the more exporting is dominated by large firms.

By reducing delays in export time, the TFA has the capacity to boost SMEs' role in exports. Using data from the World Bank's Enterprise Survey, covering nearly 130 developing countries, this report finds statistical evidence that micro, small and medium-sized firms are far more likely to export and to increase their export shares than large firms when the time spent to clear exports is reduced.

The poor have a lot to gain from trade facilitation.

Not only do low-income countries have potentially more to gain from improving trade facilitation than high-income countries, trade facilitation can also have redistributive effects within a country that favours the poor within it. By reducing delays and uncertainty in delivery, trade facilitation reforms benefit the rural poor who export perishable products. In addition, trade facilitation results in the simplification of regulations, which provides significant benefits to small/informal/women traders because they often do not have the necessary capacity or resources to deal with complex documentation requirements.

The attraction of more foreign direct investment, better collection of government revenues and reduced corruption are among the other benefits from trade facilitation.

In the case of small economies, trade facilitation not only leads to more trade but also to greater inflows of foreign direct investment (FDI). This is confirmed by empirical analysis showing a positive and statistically significant link between trade facilitation and inward FDI flows using a dataset covering 141 countries over a 10-year period (2004-13).

Trade facilitation reforms help boost government revenues by increasing trade flows, hence expanding the tax base, increasing tax collection efficiency for any given level of imports, and increasing detection of customs fraud and corruption.

The wider adoption of information communication technology and the automation of customs management are some of the most effective tools for facilitating trade and achieving improvements in revenue collection.

The incentives to engage in fraudulent practices at the border are greater the longer the time needed to complete trade procedures. Since trade facilitation is expected to shorten the duration of these procedures, it creates an important avenue for reducing the incidence of trade-related corruption.

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E. Implementing the Trade Facilitation Agreement

Trade facilitation is a high priority for developing economies and LDCs, according to surveys of WTO members. However, they also report a great deal of uncertainty about the benefits and costs of the TFA. Donor countries and agencies expect to increase aid for trade facilitation, but are concerned that political will may be lacking in partner countries.

Nearly 65 per cent of developing economies and 77 per cent of landlocked developing countries ranked trade facilitation in their top three aid priorities out of 12 possible choices in an Aid for Trade questionnaire. In terms of particular measures, more ambitious reforms such as single window and border agency cooperation tend to be given the highest priority by developing countries. However, when asked how the TFA would affect their trade costs, almost half of developing countries replied "Unsure" or "No capacity to estimate".

A majority of developing countries (55 per cent) and LDCs (nearly 60 per cent) identified "border agency cooperation" as the provision of the TFA that they would have the most difficulty implementing. Regarding the agreement as a whole, low-income countries and African countries anticipated the greatest difficulty in implementation. On the other hand, developed economies identified absence of political will as a major obstacle to implementation of the TFA.

Available information on the cost of implementing trade facilitation reforms is quite limited.

The cost of implementing trade facilitation is difficult to quantify for two main reasons. First, trade facilitation reforms are rarely carried out independently of other broader policy objectives, such as customs modernization. Second, costs may vary considerably depending on the type of trade facilitation measures considered. The main cost categories are: (1) diagnostic, (2) regulatory, (3) institutional, (4) training, (5) equipment and infrastructure, (6) awareness-raising, (7) political, and (8) operational.

Keeping in mind the shortcomings of the data, this report has assembled statistics on implementation of previous trade facilitation reforms that can help to understand the nature and magnitude of the costs of implementing the TFA.

The available data on trade facilitation costs confirm that the magnitude of inception costs vary according to the trade facilitation measure examined. The inception costs of a given trade facilitation measure also vary significantly between countries depending on the initial state of trade facilitation, the needs and priorities, and the level of ambition.

Human resources and training costs are often viewed as the most important element in implementing trade facilitation measures, since trade facilitation reform is mainly about changing border agencies' practices and behaviours.

Trade facilitation measures related to transparency and to the release and clearance of goods generally have smaller implementation costs than those related to border agency cooperation and formalities, the requirements of which may include investments in information technology, infrastructure and equipment.

While information and communication technology (ICT), equipment and infrastructure are not prerequisites in implementing most trade facilitation measures, they tend to be the most expensive components of trade facilitation reform. However, it is important to note that in many cases ICT investments serve other purposes besides trade facilitation, such as improving regulation enforcement by preventing corruption and smuggling, enhancing customs operations productivity, and improving revenue collection.

Trade facilitation reforms are, on average, less costly than broader initiatives, such as customs modernization and upgrading of transport infrastructure, like road, rail, and port modernization.

The special and differential treatment provisions of the TFA allow developing countries and LDCs to implement the TFA depending on their acquisition of capacity.

This is consistent with economic thinking about allowing developing countries to tailor trade commitments in the light of their often small size, significant resource constraints and the existence of many market failures.

Developing countries and LDCs have a demand for capacity building in light of the economic benefits that will follow from improving trade procedures. Developed country members in turn have an incentive to provide this capacity building, since speedier and more efficient trade procedures everywhere around the globe benefit the biggest trading nations.

The Trade Facilitation Agreement Facility (TFAF) plays a vital coordinating role in matching demands for capacity building from developing countries and LDCs with the supply of capacity building and assistance from donors. It also serves as a mechanism for spreading international best practice in trade procedures. While countries can individually draw up trade procedures, it will be far more efficient to have common approaches to reduce the time and costs required to become familiar with procedures in different countries.

The TFAF's specific functions will include:

- supporting LDCs and developing countries to assess their specific needs and identify possible development partners to help them meet those needs;
- ensuring the best possible conditions for the flow of information between donors and recipients through the creation of an information-sharing platform for demand and supply of trade facilitation-related technical assistance;
- disseminating best practices in the implementation of trade facilitation measures;
- providing support to find sources of implementation assistance, including formally requesting that the Director-General act as a facilitator in securing funds for specific project implementation;
- providing grants for the preparation of projects in circumstances where a member has identified a potential donor but has been unable to develop a project for that donor's consideration, and is unable to find funding from other sources to support the preparation of a project proposal; and
- providing project implementation grants related to the implementation of TFA provisions in circumstances where attempts to attract funding from other sources have failed. These grants will be limited to "soft infrastructure" projects, such as modernization of customs laws through consulting services, in-country workshops, or training of officials.

Empirical evidence suggests that, while the availability and sustainability of financial resources are crucial, they do not constitute sufficient conditions to ensure positive outcomes from trade facilitation initiatives. Other interrelated factors play a critical role in the successful implementation of trade facilitation reforms.

Strong political will at the highest levels and commitment to the process of trade facilitation are often identified as the most important success factors of any trade facilitation reform. Political will frequently represents the overarching factor upon which most of the other success factors rest and depend.

Besides national ownership, other key success factors include cooperation and coordination between ministries and border management agencies, private sector stakeholders' participation, and adequacy of human and material resources, including technical assistance.

Another factor critical to the success of trade facilitation initiatives is the correct sequencing of reforms. Sufficient time is often needed to prepare the ground, bring all stakeholders on board and build internal capacity through outreach, training activities and additional investment. In addition, the magnitude of the implementation costs of certain trade facilitation measures might depend on their sequencing, speed and pace. In this context, transparency and monitoring of the progress achieved and difficulties encountered can also contribute to successful trade facilitation reform.

Monitoring the implementation of the TFA should include economic monitoring and evaluation of outcomes.

One of the core functions of the WTO is to monitor the implementation of WTO agreements. Under the TFA, a Committee on Trade Facilitation will be established to review its operation and implementation four years from entry into force, and periodically thereafter. The Secretariat can complement WTO members' monitoring efforts through the collection of economic information and the evaluation of economic outcomes.

Even if governments in poor countries are able to translate multilateral commitments into national law and practice, the administrative capacity to carry them out effectively may not be sufficient, thus creating a wedge between expectations and outcomes. Economic monitoring will enable problems that hinder developing countries and LDCs from acquiring implementation capacity to be quickly identified and solutions found. Ultimately, economic evaluation should give members a better picture of how the TFA is working to reduce trade costs and increase trade.

More data, particularly implementation costs, better indicators and analytical tools are required to effectively evaluate the economic impact of the TFA. International organizations and regional development banks need to pool resources and expertise so that existing indicators, data and analytic tools are improved and, where necessary, new ones developed so as to effectively monitor and evaluate the implementation of the TFA.

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